

## Part B Consultation Questions

Please reply to the questions below that are raised in the Concept Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017061.pdf>

Please indicate your preference by checking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages.

1. What are your views on the need for Hong Kong to seek to attract a more diverse range of companies and, in particular, those from New Economy industries to list here? Do you agree that the New Board would have a positive impact on Hong Kong's ability to attract additional New Economy issuers to our market?

Please give reasons for your views.

Yes, there is certainly a need from investors to invest in New Economy companies.

2. What are your views on whether the targeted companies should be segregated onto a New Board, rather than being included on the Main Board or GEM?

Please give reasons for your views.

The GEM Board was supposed to be like the New Board Premium, but that did not materialise and a more appropriate New Board Premium is now introduced. Yes, targeted companies should be segregated onto a New Board.

3. If a New Board is adopted, what are your views on segmenting the New Board into different segments according to the characteristics described in this paper (e.g. restriction to certain types of investor, financial eligibility etc.)? Should the New Board be specifically restricted to particular industries?

Please give reasons for your views.

Restriction on types of investors is going to play havoc on the front desk staff in terms of compliance, operation and risk management for the New Board Pro which allows "Professional Investors" only. It should also be noted that there is a demand from retail investors (who are not eligible to be Professional Investors) willing to invest in new start-ups, as can be seen from various crowd funding websites. The New Board Pro should be branded the "High Risk Board" and appropriate education and risk disclosures should be given to retail investors, instead of merely allowing Professional Investors to participate. Furthermore, if the New Board Pro only permits eligible Professional Investors, who usually are medium to long-term investors, liquidity of this particular board may be limited.

4. What are your views on the proposed roles of GEM and the Main Board in the context of the proposed overall listing framework?

Please give reasons for your views.

One of the brilliant original idea behind the "stepping stone" concept available to the GEM Board was to attract new issuers to GEM with the view of automatically stepping up to the Main Board when all relevant Main Board criteria is met. The fact that there "seems" to be a loop-hole (shell creation) for issuers to move from GEM to the Main Board does not warrant the removable of this "stepping stone". One solution worth considering to remove this loop-hole would be an additional criteria that the GEM issuer must "substantially" maintain its original business nature as stated when first listed on GEM. In other words, if the nature of business of the GEM issuer has changed during its tenure on the GEM Board, then that issuer will not be permitted to use this "stepping stone".

5. What are your views on the proposed criteria for moving from New Board PRO to the other boards? Should a public offer requirement be imposed for companies moving from New Board PRO to one of the other boards?

Please give reasons for your views.

The New Board PRO is designed for start-ups and high risk investments, therefore YES, public offer requirement should be imposed for issuers moving from New Board PRO to one of other boards.

6. What are your views on the proposed financial and track record requirements that would apply to issuers on New Board PRO and New Board PREMIUM? Do you agree that the proposed admission criteria are appropriate in light of the targeted investors for each segment?

Please give reasons for your views.

Yes, although these requirements are acceptable, for new start-ups in the New Economy perhaps an even lower requirement may be worth considering in order not to smother the purpose of the New Board.

7. What are your views on whether the Exchange should reserve the right to refuse an application for listing on New Board PRO if it believes the applicant could meet the eligibility requirements of New Board PREMIUM, GEM or the Main Board?

Please give reasons for your views.

The issuer should have the sole right to decide which board to be listed and not the Exchange. There are different costs for listing on different boards, including but not limited to corporate governance costs, legal costs, audit costs, etc.

8. What are your views on the proposed requirements for minimum public float and minimum number of investors at listing? Should additional measures be introduced to ensure sufficient liquidity in the trading of shares listed on New Board PRO? If so, what measures would you suggest?

Please give reasons for your views.

As suggested above, the New Board PRO should not be limited to Professional Investors only. Appropriate public float should be demanded, perhaps in the 30% region.

9. What are your views on whether companies listed on a Recognised US Exchange that apply to list on the New Board should be exempted from the requirement to demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

No, only if there is a tic-for-tac arrangement with other Exchanges.

10. What are your views on whether we should apply a "lighter touch" suitability assessment to new applicants to New Board PRO? If you are supportive of a "lighter touch" approach, what relaxations versus the Main Board's current suitability criteria would you recommend?

Please give reasons for your views.

A "lighter touch" would be appropriate to the New Board PRO, as too much regulation may smother the whole purpose of this high-risk board. And for this Board to be successful and competitive, too much regulation would simply defeat its objective. It is important to note that funds raisable via crowd funding have been on the increase, although the projects may not be directly comparable to those companies hoping to list on the New Board PRO, there are minimal regulations supervising companies seeking crowd funding, and there are no shortages from investors taking such high risk either. There are ample regulations governing listing on GEM and Main Board, therefore there should be a marked difference to suitability assessment to new applicants to the New Board PRO, otherwise what would be the purpose of the New Board PRO.

11. What are your views on whether the New Board PRO should be restricted to professional investors only? What criteria should we use to define a professional investor for this purpose?

Please give reasons for your views.

As suggested above, re-brand it as the High-Risk Board and allow retail investors to invest (or gamble as the case may be). It is time to have a separate board which put the onus of risk back onto the investors who are willing to take such risk. If retail investors are already permitted to invest in CBBCs on the Main Board, which is also high risk in my definition, then why not in the New Board PRO. It should be noted that there really are investors (who are not eligible to be classed as professional investors) willing to take risk in companies listed on the New Board PRO.



12. Should special measures be imposed on Exchange Participants to ensure that investors in New Board PRO-listed securities meet the eligibility criteria for both the initial placing and secondary trading?

☐ Yes

☒ No

Please give reasons for your views.

As suggested above, this New Board PRO is the high-risk board, and retail investors who are willing to take such high risk should be allowed to do so. However, discretionary accounts and managed portfolios should not be permitted to invest in the New Board PRO-listed securities.

13. What are your views on the proposal for a Financial Adviser to be appointed by an applicant to list on New Board PRO, rather than applying the existing sponsor regime? If you would advocate more prescriptive due diligence requirements, what specific requirements would you recommend be imposed?

Please give reasons for your views.

The proposal for a Financial Adviser to be appointed instead of a sponsor regime is a good option to remove much of the regulatory requirements of listing on this high risk board. However, it should have a reasonable due diligence requirements, in that information given must be accurate and not misleading. The onus of providing accurate information to the public must, however, must rest with the Financial Adviser.

14. What are your views on the proposed role of the Listing Committee in respect of each segment of the New Board?

Please give reasons for your views.

There is no need to change the role played by the Listing Committee regarding listing on the New Board.

15. Do you agree that applicants to listing on New Board PRO should only have to produce a Listing Document that provided accurate information sufficient to enable professional investors to make an informed investment decision, rather than a Prospectus? If you would advocate a more prescriptive approach to disclosure, what specific disclosures would you recommend be required?

☒ Yes

☐ No

Please give reasons for your views.

The purpose of the New Board PRO is to have a "lighter touch" approach, and a full blown prospectus for this Board would defeat the objective.

16. What are your views on the proposed continuous listing obligations for the New Board? Do you believe that different standards should apply to the different segments?

Please give reasons for your views.

Yes. Different segments would have different risk levels, therefore more frequent disclosures should be required regarding the status of the issuer. For example, for the New Board, monthly or bi-monthly disclosure of management accounts, different threshold for disclosing acquisitions or disposals, etc.

17. For companies that list on the New Board with a WVR structure, should the Exchange take a disclosure-based approach as described in paragraph 153 of this Concept Paper? Should this approach apply to both segments of the New Board?

Please give reasons for your views.

Agree. WVR structure is important to investors and that WVR holders are likely to affect the day to day management of the issuer. This should apply to both segments of the New Board. The practice of "shadow director" is not uncommon with WVR holders.



18. If, in addition, you believe that the Exchange should impose mandatory safeguards for companies that list on the New Board with a WVR structure, what safeguards should we apply? Should the same safeguards apply to both segments of the New Board?

Please give reasons for your views.

Safeguards as proposed in paragraph 153 of the Concept Paper should be made mandatory as well as disclosure relating to the relationship between WVR holders themselves (above certain %) and between WVR holders (above certain %) and members of the board of directors. This should apply to both segments of the New Board.

19. Do you agree that the SEHK should allow companies with unconventional governance features (including those with a WVR structure) to list on PREMIUM or PRO under the "disclosure only" regime described in paragraph 153 of the Concept Paper, if they have a good compliance record as listed companies on NYSE and NASDAQ? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

Exemption should not be allowed, as similar courtesy may not be given by the NYSE and NASDAQ.

20. What are your views on the suspension and delisting proposals put forward for the New Board?

Please give reasons for your views.

The New Board's accelerated suspension and delisting proposals are acceptable.

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21. Should New Board-listed companies have to meet quantitative performance criteria to maintain a listing? If so, what criteria should we apply? Do you agree that companies that fail to meet these criteria should be placed on a “watchlist” and delisted if they fail to meet the criteria within a set period of time?

Please give reasons for your views.

No, if quantitative performance criteria is applied in order to remain listed then there may be too much restriction on the business development of these New Economy companies.

22. Do you consider that an even “lighter touch” enforcement regime should apply to the New Board (e.g. an exchange-regulated platform)?

☒ Yes

☐ No

Please give reasons for your views.

The New Board should be appropriately regulated.

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